

SENATE FINANCE COMMITTEE

March 1, 2021

9:04 a.m.

9:04:30 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson (via teleconference)
Senator Bill Wielechowski (via teleconference)
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

PRESENT VIA TELECONFERENCE

Alan Weitzner, Executive Director, Alaska Industrial Development and Export Authority, Department of Commerce, Community and Economic Development.

SUMMARY

AIDEA - UPDATE ON PROJECTS, INVESTMENTS AND CASH FLOW

ALASKA ENERGY AUTHORITY - UPDATE ON ASSETS, PROJECTS, GRANTS & LOANS

Co-Chair Bishop thanked Co-Chair Stedman for filling in while he was absent the previous week.

9:06:17 AM

AT EASE

9:06:27 AM

RECONVENED

^AIDEA - UPDATE ON PROJECTS, INVESTMENTS and CASH FLOW

9:06:38 AM

ALAN WEITZNER, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), discussed the presentation "AIDEA PROJECTS, INVESTMENTS and CASH FLOW UPDATE" (copy on file). He thanked the committee and noted that the presentation was in response to a request from committee staff to address updates to projects, investments, and cash flow as well as three natural resource development projects. He highlighted that the presentation worked in coordination with a letter the Alaska Industrial Development and Export Authority (AIDEA) provided to the legislature dated January 8, 2021 (copy on file), which was a statutorily required annual review of assets of the organization.

9:08:26 AM

Mr. Weitzner spoke to slide 1, "AIDEA'S MISSION":

To promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment.

AIDEA OVERVIEW

- Investing in Alaskans since 1967
- Alaska's Development Finance Authority
- Financially Self-Sustaining Public Corporation (no GF by statute AS 44.88.190(b))
- \$439.7 million in Dividends to Alaska since 1997
- Directed over \$3 billion into economic development in Alaska

Mr. Weitzner highlighted that AIDEA was tasked with encouraging the diversification of the state's economy and promoting the creation and retention of jobs. He recounted that AIDEA was initially created to provide tax exempt financing through the Conduit Revenue Bond Program (CRBP). The initial capitalization of AIDEA started with a loan program through the Department of Revenue (DOR) and a total appropriation \$309 million. Since that time, AIDEA had provided more back to the general fund than its initial capitalization.

Mr. Weitzner showed slide 2, "AIDEA AS 44.88":

WITHIN AS 44.88.010(a)(10)

It is in the public interest to promote the prosperity and general welfare of all citizens of the state by:

(A) stimulating commercial and industrial growth and expansion by encouraging an increase of private investment by banks, investment houses, insurance companies, and other financial institutions, including pension and retirement funds, to help satisfy the need for economic expansion;

(B) encouraging the production of raw materials and goods for export, the expansion of exports and raw materials and goods...;

(C) creating the Alaska Industrial Development and Export Authority with the powers necessary to accomplish the objectives stated in this paragraph, including the power to issue taxable and tax-exempt bonds, to acquire ownership interests in projects, and to provide development project financing...

Mr. Weitzner thought a review of the associated statutes might illustrate how and why AIDEA was organized. He summarized that AIDEA's principal role in economic development was to specifically work with private sector investment to coordinate and be a partner to deliver job growth and economic benefits for Alaskans.

[9:12:35 AM](#)

Mr. Weitzner looked at slide 3, "PROGRAMS + PROJECTS":

- Conduit Revenue Bond Program
- Loan Participation Program
- Development Project Finance
- Sustainable Energy Transmission and Supply (SETS)
- Arctic Infrastructure Development Fund (AIDF)
- Small Business Economic Development Revolving Loan Fund
- Rural Development Initiative Loan Fund
- Business Export Assistance Program

Development Project Finance:

- Delong Mountain Transportation System
- Skagway Ore Terminal
- FedEx Aircraft MRO Hangar
- Snettisham Hydroelectric Facility
- Alaska Ship & Drydock, Ketchikan
- Camp Denali Readiness Center (JBER)
- Mustang Holdings LLC
- Interior Energy Project
- Blue Crest Energy Drilling Rig Loan
- AK SHIP -Vessel Repair Finance Program
- Duck Point Development II (Icy Strait Point)
- HEX Cook Inlet, LLC
- Ambler Access Project
- West Susitna Access Road Project
- Section 1002 Area Leases

Mr. Weitzner noted that the slide gave detail on AIDEA's programs and projects. He noted that AIDEA had been helping with economic development in the healthcare sector through CRBP, which had been helped with rural and Alaska Native healthcare access in the state. He specified that the previous year AIDEA had issued over \$200 million in conduit revenue bonds that were directly tied to health sector investments. He generalized that all of AIDEA's programs had been impacted in some form by the COVID-19 emergency. He thought Alaska had been more broadly impacted than some other states.

Mr. Weitzner pointed out that AIDEA had implemented emergency programs to address impacts of the pandemic that were not shown on the slide. The programs were to address economic impacts. He asserted the AIDEA had been on the front of the statewide response to the pandemic since the governor's declaration of emergency. The AIDEA Board had implemented emergency regulations and programs, one of which was adapted into the AK Cares Program with the Department of Commerce, Community and Economic Development, which had provided over \$282 million in grant funding to a little over 5700 small businesses throughout the state.

Mr. Weitzner detailed that AIDEA had adapted the Business Export Assistance Program provide guarantees to Alaska's banks and credit unions for extended credit to existing

borrowers. He continued that AIDEA also had provided support to businesses impacted by the pandemic in a loan participation program. He recounted that AIDEA accomplished its mission by acting as a secondary market for financial institutions by purchasing loan participation by providing guarantees on bank-originated loans. Since 1992, AIDEA had funded over \$1.2 billion under the loan participation program which had supported over 9,600 construction jobs and over 9,800 permanent jobs within Alaska's economy, principally supporting the commercial real estate development sector. He specified that the loan portfolio was currently \$451.6 million at the close of FY 20. He cited that AIDEA had received over 80 loan modification requests on loans that amounted to about \$193 million, which was approximately 44 percent of the entire loan portfolio.

Mr. Weitzner continued to address slide 3. He noted that the Arctic Infrastructure Development Fund (AIDF) was recently funded with the improvements for development funding on the Ambler Access Project as well as funds dedicated to signing oil and gas leases. He discussed the Sustainable Energy Transmission and Supply Fund, originally capitalized by the legislature for \$145 million in 2013. The funds had been principally invested into the Interior Gas Utility.

Co-Chair Bishop asked if Mr. Weitzner had indicated that AIDEA had done 80 loan modifications.

Mr. Weitzner affirmed that AIDEA had done over 80 loan modifications under the Loan Participation Program.

Co-Chair Bishop asked if the total dollar amount was around \$193 million for the loan modifications.

Mr. Weitzner affirmed that the modifications affected the principal balance of loans totaling \$193 million.

[9:18:10 AM](#)

Co-Chair Stedman asked for more detail on the loan modifications. He wondered how many might be in arrears. He asked about the significance of any arrears and the status of loans that were current or not.

Mr. Weitzner relayed that there were modification agreements with the underlying financial institutions for the majority of loans with modification. In most cases, loans were not in arrears and parties were paying interest on a current basis. The parties had received modification or relief on principal payments, which had been extended toward the end of the loan. He noted there were two modifications that were in arrears and currently outstanding. The two proposed modifications were awaiting review. The total amount of the two loans was less than \$10 million.

Co-Chair Stedman asked for updates on the Mustang Holdings LLC and the Blue Crest Energy drilling, which were both in a sector that had been challenged from multiple directions.

Mr. Weitzner affirmed that the projects had been challenged. He addressed BlueCrest Energy, which had received a modification for principal deferment in March 2020. The company had been performing and paying interest each month as required and was current. He continued that AIDEA was considering a request to extend the deferment, which would be considered at AIDEA's upcoming board meeting. He identified that BlueCrest had been challenged by the low price of oil.

Mr. Weitzner addressed Mustang Holdings LLC. He recounted that in November 2019, AIDEA had accelerated the loan to Brooks Range Petroleum Corporation and had been in a negotiating phase with the originally working interest owners on the loan. In the early part of 2020, the approvals for extending the loan did not get closed due to a decline in investment of necessary capital for the development of the project. Since that time, AIDEA had been working with several other major creditors in looking to reorganize the underlying exposure and get to a plan of development for the field. Ultimately AIDEA concluded that it needed to expedite ownership and control of the underlying lease assets and surface assets to better restructure the loan. In May, AIDEA had entered into a non-judicial foreclosure process, which was concluded in September. Since the conclusion, AIDEA had been working with creditors under AIDEA's ownership of the lease and surface assets through Mustang Holdings LLC. He concluded that AIDEA was looking at a plan of development to restructure the \$70 million of investment with creditors.

9:23:09 AM

Co-Chair Stedman thought Mr. Weitzner indicated that BlueCrest Energy was paying only interest on its loan. He asked about payments on previous expenditures applicable to the particular loan. He recalled that the state owed about \$730 million in credits. He thought there was about \$60 million in the budget for the current year's payment. He asked about the significant relationship between the credits and the asset held by AIDEA.

Mr. Weitzner offered to provide further information via AIDEA Board memos issued regarding the modifications. He detailed that the original loan was structured in 2015 based on a capital structure which included \$150 million in assumed oil tax credit reimbursements to the investors. When the oil tax credit program was halted, it had dramatically changed the investment profile. He noted that BlueCrest Energy had provided during testimony that it had continued to develop the Cosmopolitan Field and had continued to use the rig which AIDEA financed for field development. Further, BlueCrest Energy was currently looking at how the oil and natural gas recovery from the well development was able to repay AIDEA and continue on a plan of further development for the Cosmopolitan Field.

Mr. Weitzner summarized that there had been a significant impact the original plan of development of the Cosmopolitan Field, as well as the ability to repay AIDEA for what it financed on the drill rig itself. He added that AIDEA was working with the company on how the plan of development could advance.

Senator Hoffman asked if both projects being discussed had always been loans or if in the past they were considered as investments.

Mr. Weitzner relayed that the BlueCrest Energy loan had always been a loan, with direct financing and construction of the drill rig used for field development. The Mustang Holdings LLC investment by AIDEA had gone through different phases. The investment was originally for road development in 2012 with direct investment by AIDEA. The project also focused on an early production facility under an ownership model by AIDEA. The investment had been restructured in 2018. The road and early production facility were restructured in 2018, also following a reduction in the

amount of oil tax credits that the industrial group would receive from the Mustang Field development. The term sheet was put into place when the loan agreements were signed May 2019.

Senator Hoffman asked about the board's involvement in the developments Mr. Weitzner had described.

Mr. Weitzner informed that the board had approved the form of investment either in direct investment or its restructuring to a loan. In each case the board had passed resolutions for the form of the investment.

[9:28:43 AM](#)

Senator Hoffman asked if the administration had taken any action on the matter without the board's direction.

Mr. Weitzner did not know if he could fully answer Senator Hoffman's question. He affirmed that for any action for AIDEA to undertake would require the resolution of AIDEA's Board of Directors. He could not address whether there had been other involvement prior to 2018.

Co-Chair Stedman thought due to the sensitivity of the response, the information should be in writing.

Mr. Weitzner relayed that there were memos that could highlight the process, and he was happy to share the information with the committee.

Mr. Weitzner discussed slide 4, "PROJECTS + ASSETS," which showed a state map depicting the loan program participation and project financing. He thought the slide highlighted that AIDEA's projects impact broadly across the state and that AIDEA was fulfilling its mission of economic growth. He asserted that much of the economic development and jobs supported by AIDEA's programs and project financing had resulted from the responsible development of natural resources and economic diversification. He asserted that AIDEA acted as a catalyst for the economic development in Alaska's communities. He furthered that public funding from taxes on commercial real estate development, infrastructure, and natural resource development had significantly contributed to communities' economic security and provided ongoing revenue for local services such as schools, health clinics, and utilities.

Mr. Weitzner addressed slide 5, "PROJECT INVESTMENTS":

Facilitate Investment in Alaska's Industrial Sectors
Partnership with Public + Private Capital
Patient, Long-Term Capital
Direct Investment as Owner/Partner/Lender
Feasible Economic Structures, No Subsidies

* Total amount invested or committed in development projects held by AIDEA as of FYE 2020, includes only AIDEA funds and AIDEA proceeds from bonds issued.

Mr. Weitzner referenced a modified pie chart on the slide that showed the historical investment of \$612.4 million in Alaska. He highlighted that through AIDEA's mission and reinvestment of capital, the authority did not structure or provide subsidies for the projects. Rather, the projects were based upon economic pro forma and effective viable business plans.

[9:32:45 AM](#)

Mr. Weitzner reviewed slide 6, "FINANCIAL SUMMARY FY2020":

STATEMENT OF NET POSITION (\$000S)

Cash Balance (incl. Restricted) \$90,516

Programs:

COVID-19 Emergency Programs 168,910

Enterprise Development Account 456,889

Development Project Finance:

Revolving Fund - Projects 194,223

Revolving Fund - Capital Assets 141,531

SETS 143,760

AIDF 35,000

Other Assets 16,399

Capital Reserves - Securities 398,895

Total Assets \$1,646,123

Less: Liabilities & Deferred (\$226,650)

Net Position \$1,419,473

Mr. Weitzner noted that the slide was a financial summary for AIDEA that summarized the balance sheet, net operating position and statutory net income that was provided at the

request of the chair. He continued that AIDEA's financial statement was also provided via AS 44.88.205 and AS 44.88.210. He had summarized the financial information to identify AIDEA's principal programs and the program's current capitalization.

Mr. Weitzner explained that AIDEA's capital reserves were the accumulated returns from previous investments and was what was kept available for future investments in economic development projects in the state. The reserves were also available to support any bonding program and supported cash flows for the organization. He highlighted that within the revolving fund and the capital assets, there was \$141.5 million, principally made of managed assets that did not principally produce cash flow. He listed the Snettisham Hydro Project and the Alaska Ship and Dry Dock, which were important for economic development but did not return capital. He noted that in the projects, \$70 million was for Mustang Holdings LLC, which also was not currently returning cash flow to AIDEA.

Mr. Weitzner addressed the table on slide 6 entitled "STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION (\$000S)." He discussed operating revenues and expenses. He recounted that he had looked to remove some of the impact from emergency programs, which were principally funding from funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. He pointed out differences between 2018, 2019, and 2020; and made note of unrealized gains and losses from capital reserves included in the operating revenues. Because of recent interest there was unrealized gains.

Mr. Weitzner continued to address slide 6, and explained that operating income represented the net effect after expenses and also included unrealized capital gains. He explained that the numbers showed that AIDEA had been consistent in producing between \$33 million and \$35 million in statutory net income each year, from which the AIDEA dividend was declared. Under existing statute, the board was required to declare a dividend from 25 percent to 50 percent of the year's statutory net income, and was payable in two years following the production of the income. With \$34.6 million recognized in the current year, AIDEA's board had declared a \$17.3 million dividend to the general fund for the FY 22 budget.

9:38:33 AM

Co-Chair Bishop noted that Senator Wielechowski had been trying to get in the queue for a question, but there had been technical difficulties.

Senator Wielechowski asked for a list of AIDEA investments from 2011 to 2021, including loan amounts, duration, location, purpose, and return.

Mr. Weitzner stated that the information was possible to get. He referenced AIDEA's provided financial statements and relayed that he could also provide a list of AIDEA's current portfolio under the Loan Participation Program, which was not specifically delineated in the financial statements.

Senator Wielechowski reiterated his request for loan amounts and investments. He asked if AIDEA had adopted a policy and procedure for public involvement.

Mr. Weitzner asked if Senator Wielechowski was referencing public involvement regarding individual projects.

Senator Wielechowski clarified that he was asking about the opportunity for public notice and public testimony regarding any AIDEA decision.

Mr. Weitzner relayed that AIDEA was required by statute to obtain support from local communities, which was usually accomplished by specific resolutions by local assemblies or boroughs, as well as letters of support. He continued that AIDEA also had public board meetings in review of any investment decision, and any investment decision undertaken was subject to a resolution of the board. During board meetings there was a public comment period.

Senator Wilson asked about AIDEA's debt in terms of an oil tax bond. He asked for an update regarding AIDEA's position on the amount of debt.

Mr. Weitzner asked if the question was relating to Mustang Holdings LLC.

Senator Wilson answered "no."

Co-Chair Bishop asked if Senator Wilson wanted to know how much was owed to AIDEA in the form of oil tax credit payments.

Senator Wilson answered in the affirmative and asked if AIDEA was ready to write off the amount to see cash flow or hold dividends to pay credits off.

Mr. Weitzner stated that AIDEA currently held a note that was originally issued by DOR to Mustang Operating Center 1 (MOC 1) under the original structure for the Mustang development loan, which was acquired May 2019. He elaborated that AIDEA currently held receipt authority under ownership interest in MOC 1, which it foreclosed on in September 2020, and there were currently payment obligations under the tax credits of roughly \$16.2 million. He shared that AIDEA believed the credits would be paid through revenues received by the state.

[9:43:39 AM](#)

Mr. Weitzner referenced slide 7, "BONDING CAPACITY":

- AIDEA's bonding capacity is subject to determination by external credit rating agencies and their evaluation of AIDEA's credit standing.
- Prior to 2019, AIDEA held long-term credit ratings of AA+ by S&P and Aa3 by Moody's, based in large part to AIDEA's capital reserves in place and the state's statutory dividend program.
- In 2019, Moody's downgraded AIDEA's Revolving Fund bonds to A2 referencing "the Revolving Fund bonds' exposure to actions the state may take as it seeks to adopt a revenue model less dependent on North Slope oil production."
- AIDEA's capacity to provide financing opportunities is directly related to the asset base available to support those investments.

The legislature expressed its intent in enacting the statutory dividend program that "the financial integrity of the [Authority] remain secure so that the Authority can continue to fulfill its vital economic

development mission for the state" (see sec. 1, ch.11 SLA 1996).

Mr. Weitzner wanted to highlight that since the Development Project Financing Program was initiated in the mid-1980s, AIDEA had issued a little over \$415 million of long-term bonds to finance projects within the state. The bonds were principally general obligation (GO) bonds and did not carry the moral obligation of the state and were issued solely on AIDEA's credit standing. He detailed that AIDEA's bonding capacity was ultimately determined by external credit rating agencies. Prior to 2019, AIDEA had a credit rating of AA-plus. The basis for the high rating was AIDEA's capital reserves, projects, and the state's dividend. In 2019, Moody's downgraded AIDEA's rating due to the revolving fund bonds exposure to actions the state may have taken as it sought a revenue model less dependent upon North Slope oil production.

Mr. Weitzner continued to discuss slide 7. He explained that AIDEA's capacity to provide financing opportunities was directly related to its asset base. He continued that AIDEA did not have GO bonds outstanding, although it had Snettisham power revenue bonds that had a current balance of \$54.6 million. the authority also retained bonding authorization through the legislature for several potential development projects. He discussed project funding such as the Skagway Terminal. He shared that it was unclear if the bonding capacity would be used in the near term. Currently AIDEA was reviewing ways to provide capitalization in its loan programs, particularly the Loan Participation Program. He noted that AIDEA had identified that there was an opportunity to issue a collateralized loan obligation for an asset-backed security, which would represent a recycling of some of the invested capital into the program. The authority was actively engaging (subject to board approval) in looking at working with external capital providers to provide other sources of capital for AIDEA to fulfill its mission from the state.

Co-Chair Stedman understood that Mr. Weitzner was asserting that AIDEA was in a good financial position. He mentioned the state's structural deficit and subsequent downgrade in credit rating and wondered if the situation affected the cost of borrowing for AIDEA.

Mr. Weitzner affirmed that the state's rating directly impacted the cost of AIDEA's borrowing, which ultimately impacted the viability of the project investment. He assured that the financial stability and credit standing of AIDEA had been strong. He reiterated that AIDEA had been impacted by COVID-19 across its programs. He noted the additional cash flow impact of programs that had been deferred, which would affect AIDEA's ability to secure external capital financing. He thought there was a changing environment.

Co-Chair Stedman summarized that as the state went further down its current financial road and possibly using funds from the Earnings Reserve Account it would not help AIDEA and would increase its cost of capital.

Mr. Weitzner thought Co-Chair Stedman had made a good summary.

9:50:32 AM

AT EASE

9:51:23 AM

RECONVENED

Co-Chair Bishop thought Mr. Weitzner's presentation was important and wanted to continue and postpone the other item on the agenda.

Senator Wilson mentioned Co-Chair Stedman's question and bonding capacity. He asked if the credit downgrade by Moody's was related to the administration's decision to borrow funding from AIDEA to pay off another account.

Mr. Weitzner relayed that Moody's had raised the issue of the state's budget. He highlighted that any addressing of AIDEA's capital reserves had not been supported by the governor. A \$2 million appropriation was approved for the Northwest Arctic Borough in support of a school project that did have an impact and had accessed reserved outside the dividend statute. He noted that AIDEA had a credit standing that was established with its capital reserves, which were there for future investments and economic development projects.

Mr. Weitzner noted that AIDEA currently had a project pipeline in place of economic development projects that

would have an investment level in excess of \$1 billion. He thought there was a lot of opportunity for utilization of the reserves and returns to recycle for future project investment.

Mr. Weitzner showed slide 8, "RESPONSIBLE RESOURCE DEVELOPMENT - ACCESS TO ALASKA'S ABUNDANT NATURAL RESOURCES FOR ECONOMIC DEVELOPMENT."

Mr. Weitzner discussed slide 9, "1002 AREA LEASE SALE":

PROJECT OVERVIEW

- Section 1002 Area designated for future development of its resource potential under ANILCA
- AIDEA Resolution G20-31 authorizing up to \$20 million in the first year under BLM's Section 1002 Area Oil & Gas Lease Sale
- Bids submitted on 11 tracts (\$19,236,345 in 1stYear)
- AIDEA highest bidder in 9 of 11 tracts bid
- Leases signed on 7 of the 9 tracts for an initial 10 year rights of use subject to lease stipulations
- Potential to add 1.4 million barrels per day to Alaska's oil production through TAPS

TIMELINE

Jan. 20, 2021 - President Biden announces moratorium on all oil and gas leasing activities in ANWR.

Jan. 19, 2021 - Bureau of Land Management announces official leaseholders; AIDEA holds 7 tracts.

Jan. 6, 2021 - Bureau of Land Management opens submitted sealed bids; AIDEA is the successful bidder of 9 of 11 tracts.

Dec. 31, 2020 - Deadline to submit qualified bids on leases.

Dec. 7, 2020 - Bureau of Land Management posts Detailed Statement of Sale.

Aug. 17, 2020 - Record of Decision (ROD) reached.

Dec. 22, 2017 - President Trump signs the Tax Cuts and Jobs Act, which includes authorization for responsible development in 1002 Area of ANWR.

Dec. 2, 1980 - President Carter signs Alaska National Interest Lands Conservation Act (ANILCA)

Mr. Weitzner highlighted that through Alaska's constitution at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue, sharing payments, and bonuses received by the state were placed in the Permanent Fund. He shared that AIDEA viewed natural resource development within the state as critical for the state's economic development. He asserted that AIDEA was increasingly being limited in access to the resources. He reiterated that much of the economic development and jobs supported across communities had resulted from responsible development of Alaska's mining and oil and gas resources, which had led to public funding and public services.

[9:56:02 AM](#)

Mr. Weitzner discussed the Section 1002 lease sale. He explained that Section 1002 was designated for future resource development under the Alaska National Interest Lands Conservation Act (ANILCA). He continued that AIDEA passed a resolution authoring the organization to commit \$20 million in the first year under the Bureau of Land Management's oil and gas lease sale. He recounted that AIDEA had submitted 11 bids for tracts, ultimately committing about \$19.2 million. He continued that AIDEA had been the high bidder on 9 of the 11 tracts, and ultimately closed on 7 of the 9 tracts. He referenced a forthcoming map that would show areas that were closed upon. He shared that AIDEA had an initial ten-year right of use, subject to the lease stipulations, and ultimately saw potential to add 1.4 million barrels per day to the state's oil production through the Trans-Alaska Pipeline System (TAPS) and other infrastructure on the North Slope. He noted that AIDEA provided a timeline to decide how the project would progress. He noted that the state's right to access its natural resources was codified within ANILCA.

Mr. Weitzer moved to slide 10, "1002 AREA LEASE SALE":

ECONOMIC DEVELOPMENT POTENTIAL

HOW MUCH OIL IS ESTIMATED TO BE IN THE 1002 AREA?

- The U.S. Geological Survey estimates this area contains 10.4 billion barrels of technically recoverable oil.

ECONOMIC BENEFITS FOR STATE OF ALASKA

- Public funding from taxes contributing to economic security within the local communities on the North Slope, providing revenue to fund local services, schools, health clinics, housing, emergency response, water and wastewater, heat and electric utilities, and countless essential services.
- Fixed royalty of 16.67% established, half of which goes to the State.
- Half of all proceeds earned through the Section 1002 Area Oil & Gas Lease Sale are shared with the State of Alaska.

ESTIMATED JOB CREATION FROM DEVELOPMENT OF THE 1002 AREA

- 55,000 -130,000 jobs are expected to be created, according to the House Committee on Natural Resources.

ESTIMATED REVENUE GENERATED BY DEVELOPMENT OF THE 1002 AREA

- Estimated up to \$50 billion in future royalties, according to the nonpartisan Congressional Budget Office.

Mr. Weitzner noted that the U.S. Geological Survey also linked to oil available in Alaska Native lands accessed by the Kaktovik Inupiat Corporation. He highlighted that the total area in Section 1002 was 1.56 million acres, which was defined under ANILA for its potential for exploration development and transport of oil and gas. Of the 19-million-acre Alaska National Wildlife Refuge (ANWR), Section 1002 was not designated as a wilderness area. Within the 1.56 acres, the Bureau of Land Management (BLM) had defined a maximum of 2,000 aggregate acres to be available for surface development, which signified .01 percent of the limited Section 1002 area. He highlighted that the focus from BLM and the state had been based on

responsible resource development coexisting with conservation.

Mr. Weitzner continued to discuss development of Section 1002. He thought responsible resource development had historically been achieved on the North Slope, and he highlighted that there was no reason to believe that the case would not be the same in accessing resources for Section 1002. He noted that AIDEA fully supported HJR 12, which urged the United States Department of the Interior, BLM, to honor the recent lease sales and proceed with permitting in ANWR. He discussed estimated job creation and revenue from development of the 1002 area, including 25 percent of the state's potential revenue would be contributed to the Permanent Fund.

[10:00:57 AM](#)

Mr. Weitzner continued to address slide 10. He mentioned that Alaska Native communities on the North Slope actively supported development within the 1002 area and anticipated job creation.

Co-Chair Bishop referenced the \$10.4 billion barrels of "technically" recoverable oil as listed on the slide. He asked if AIDEA had discussed what might be economically recoverable.

Mr. Weitzner relayed that analysis indicated that there was 7.3 billion barrels of economically recoverable oil in the 1002 area. He continued that the technical recovery from the Alaska Native land access was added the amount.

[10:02:34 AM](#)

Co-Chair Stedman thought the area in question was half the size of Prudhoe Bay, and there was sufficient potential for the state. He asked for Mr. Weitzner to elaborate on the royalty split. He wondered if the 1002 area was under the same royalty criteria as the Natural Petroleum Reserve-Alaska (NPRA).

Mr. Weitzner explained that through the 2017 Tax Act (in which the U.S. Congress approved the oil and gas sale program for BLM to initiate and do initial environmental review) there was a required 50 percent split between the state and the federal government on any royalties, sale

proceeds received from development in Section 1002. The arrangement was different than that under the NPRA, and very different from the state's own development in Prudhoe Bay.

Senator Wielechowski asked what sort of discussions AIDEA had with producers and global banks regarding ANWR. He wondered if any entity had expressed interest in development.

Mr. Weitzner suggested it was too early to provide feedback on potential interest AIDEA had received, specifically because the authority had not been actively promoting co-investment thus far. He reminded that there was a moratorium in place, and AIDEA was currently working on updating the geotechnical studies within the tracts that were under lease in order to get information for strategic discussions with private sector oil and gas company investors that could be potential partners.

Co-Chair Stedman asked if Mr. Weitzner had indicated that AIDEA would be running 3-dimensional seismic studies to delineate the value of potential tracts that may or may not have in order to make decisions about going forward with partnerships to develop the resource or dispose of the tracts.

Mr. Weitzner answered in the affirmative and shared that AIDEA was looking at the full requirements for filing a plan with the BLM, and updating the geotechnical studies in order to have defined boundaries on the resource in order to have a more advanced discussion with potential partners for co-investment in field development.

[10:06:28 AM](#)

Mr. Weitzner referenced slide 11, "Coastal Plain 2021 Lease Sale Results," which showed a map of Alaska's northern coast depicting tracts available for bid, tracts unavailable for leasing, or tracts excluded from Public Law 115-97 or outside the Bureau of Land Management's oil and gas leasing authority. He highlighted that the tracts marked in blue were the nine tracts that AIDEA acquired under the BLM oil and gas lease sale. He continued that AIDEA had also bid upon tract 25 and tract 29. He noted that AIDEA closed and signed leases with BLM on tracts 24, 30, 31, 27, 26, 16, and 17; but did not close or sign

leases on tracts 23 and 22. He explained that AIDEA had identified the priority tracts and wanted to responsibly develop the area as well as work within the stipulations of BLM with the 3 square miles of surface structure that could be implemented. He asserted that AIDEA was very cognizant of the potential development footprint and wanted to recognize the conservation with BLM's leases.

Co-Chair Stedman asked if Mr. Weitzner to discuss Knick Arm Services and Regenerate Alaska. He asked about horizontal drilling and whether the state could go to the east in Section 1002 if it was decided not to go forward with the surface tracts.

Mr. Weitzner stated that Regenerate Alaska, Inc. was a current investor in leases in the state, which he believed to have been acquired by an Australian-based company. He did not have a great deal of information on Knick Arm Services and was not aware of the extent of its investments in the state. He addressed horizontal drilling and relayed that to the extent that the underlying reserves could be monetized, then AIDEA would be able to access the resources. He cited that AIDEA would have to file the development of plan with the state and BLM. Beyond the eastern portion, AIDEA could work with the Kaktovik Inupiat Corporation, which was actively looking to develop its resources. Ultimately AIDEA would work with the corporation on how to transport resources to TAPS, and he thought there were solutions in the state to accommodate.

[10:11:03 AM](#)

Co-Chair Bishop asked if AIDEA had lost the current year's field season to do a chute.

Mr. Weitzner thought the season was more limited, and AIDEA was actively looking at filing a plan with BLM. He thought it was fair to say that the year's planning needed to be in place in order to do the full extent of a geotechnical study. He reminded that AIDEA had a ten-year lease with BLM and thought there was sufficient time to file a plan and complete the studies.

Mr. Weitzner showed slide 12, "CESS PROJECT," which showed a map of the Ambler Access Project. The project had been codified within ANILCA, and AIDEA had worked on it since 2013. The initial project development was initiated by the

Department of Transportation and Public Facilities (DOT) in 2009, to start defining access from the Dalton Highway to the Ambler Mining District. The full project crossed private, state, and federally owned land to access the Ambler Mining District for broader development for the state through the mining interests.

Senator Wielechowski understood that the Tanana Chiefs Conference (TCC) and Doyon, Limited had opposed or challenged the Ambler Road project. He asked what AIDEA was proposing to do in the case that Doyon refused to allow purchase of a road right-of-way.

Mr. Weitzner was only aware of legal challenges that had been filed by TCC, which had filed suit on the BLM's record of decision. He was not aware of any action taken by Doyon. He explained that AIDEA was actively engaging with Doyon on how to address the private land ownership as well as with Nana Corporation. He continued that AIDEA was also in discussion regarding rights of way with the state, which was an additional landowner of over 124 miles. He mentioned a milestone pertaining to the federal land ownership, and that the topic would be addressed on a later slide.

[10:14:42 AM](#)

Senator Wielechowski understood that there was an extensive cost-benefit analysis done on the Red Dog Mine Road. He asked if such a study would be done prior to the Ambler Access Project.

Mr. Weitzner relayed that there had been an ongoing cost-benefit analysis of the access road. There was a current development agreement between AIDEA and Ambler Metals, under which each party was contributing \$35 million to the road development, which was in a feasibility study. He thought a final investment decision would be reached at the end of the study, at a maximum at the end of December 2024. The full cost-benefit analysis was an ongoing process that would ultimately lead to an investment decision by AIDEA and Ambler Metals.

Senator Wielechowski understood that the \$35 million in spending was from the Arctic Infrastructure Development Fund (AIDF), which put a cap of \$20 million on loans, beyond which required legislative approval.

Mr. Weitzner understood that bonding authority at \$25 million was subject to AS 44.88.172, which AIDEA was not under. He thought the other element to understand was that AIDEA was the owner of the road, and the investment was in the form of ownership, which was allowed under AIDEA loans. He wanted to make the distinction that individual loans were subject to limitations, but the funds in question were not an advance of loans by AIDEA to an independently owned project company.

Co-Chair Bishop asked if AIDEA was intending to create a scenario like the DeLong Mountain Road.

Mr. Weitzner affirmed that AIDEA was looking to create the economic developments through the Ambler Road, such as the DeLong Mountain Road had for the Red Dog Mine. He thought the Ambler Road was slightly different. He described that the Red Dog Mine Road had been a 52-mile road with storage capacity and port facilities for the Red Dog Mine. He asserted that the Ambler Road would ultimately provide long-term access and development of all the mines within the district, not just individual specific mines.

Co-Chair Bishop understood the difference between the road projects and had worked the DeLong Mountain Road project.

10:19:03 AM

Senator Olson assumed that AIDEA would perform a cost-benefit analysis for the Ambler Access Project similar to that of the road for the Red Dog Mine.

Mr. Weitzner explained that AIDEA was in the process of doing so while doing the feasibility study for the proceeding three years, prior to taking a final investment decision on the road.

Senator Olson referenced an AIDEA board meeting on February 10, 2021; at which it was stated that the cost of the pre-development work would be paid 50 percent by AIDEA and 50 percent by Ambler Metals. He wondered if Ambler Metals would be getting a credit for the \$35 million pre-development contribution when the tolls for the road began being paid.

Mr. Weitzner answered in the affirmative. Under the development agreement that AIDEA signed with Ambler Metals,

which had been publicly attached to the board agenda, each party was contributing up to \$35 million for the current budget on the final feasibility phase for the road project. Ambler Metals would not be an owner of the road. In return for the \$35 million in development capital, Ambler Metals would receive credit on the initial toll structure that would be put in place for the utilization of the road. The credit would be based on volume and projected use. He wanted to clarify that the form of the agreement and credit had not been finalized, and the structure would be defined with the decision on the final structure of the road.

Senator Hoffman observed that a portion of the road would go through the gates of ANWR. He asked how many miles would be involved, and what permits would be needed. He asked if Mr. Weitzner saw the issue as a major obstacle in the project.

Mr. Weitzner thought that the number of miles through the refuge would be 26 miles which would be administered by the National Park Service (NPS). He continued that AIDEA had a 50-year right-of-way permit that had been signed with the NPS, which was also eligible to be extended for an additional 50 years.

[10:22:55 AM](#)

Mr. Weitzner looked at slide 13, "AMBLER ACCESS PROJECT":

PROJECT BACKGROUND

- Access to Ambler Mining District defined within ANILCA.
- FY20 final EIS / FY21 Joint ROD from BLM/NPS.
- \$35M for AIDEA's Arctic Infrastructure Development Fund, matched by Ambler Metals LLC for Final Feasibility.
- Development Agreement with Ambler Metals coordinating the timeline between the Arctic Mine feasibility and Ambler Access Road feasibility by latest December 2024.

ECONOMIC DEVELOPMENT OPPORTUNITY

ROAD CONSTRUCTION AND OPERATIONS

- 360 direct jobs for road construction on an annual average
- Up to 81 direct annual jobs for road operations and maintenance over the life of the road

MINES CONSTRUCTION

- 2,777 direct jobs for mine construction; \$286M in wages annually
- 2,034 additional indirect and induced jobs; \$108M in wages annually

MINING OPERATIONS

- 495 direct jobs; \$72M in wages annually
- 3,436 additional indirect and induced jobs; \$228M in wages annually

GOVERNMENT REVENUES (LIFE OF ALL FOUR MINES)

- \$393M in mining license tax revenues to the State
- \$524M in corporate income taxes to the State
- \$214M in production royalties to the State
- \$13M in claim rents to the State
- \$193M in payments to local governments

Mr. Weitzner identified that the primary foci of the Ambler Access Project were the jobs created and the revenues for the state created by mine development. He shared that AIDEA had worked with the University of Alaska Fairbanks in doing an initial study on the potential project benefits from the mines and the road.

Co-Chair Bishop asked about the 2021 planned field work and observed that there was an aggressive schedule, and wondered how negotiations were proceeding with Doyon.

Mr. Weitzner informed that AIDEA had initiated a term sheet with Doyon for land access permit rights. He anticipated reaching a formal agreement within the next month, which would provide access for three years. He added that AIDEA needed to engage Nana on the same terms. He anticipated a robust field season for the year, and the work was being coordinated with private landowners and the Department of Natural Resources (DNR) for the rights of way.

Mr. Weitzner discussed slide 14, "KEY ELEMENTS + ISSUES IN FINAL FEASIBILITY":

- 200+ mile new road in remote Alaska
- Design components
 - 29 bridge crossings
 - Predominant permafrost across corridor
 - Materials site with 12 million cubic yards of fill
 - At least 40 fish passage sites
 - Subsistence concern considerations
- Crossing Approval from five landowners
- ANILCA and NEPA requirements
- 26 permits and authorizations
- Federal laws: CWA, NHPA, MSFCMA, ESA, MBTA, BGEPA, WSRA, RHA
- Multiple mines in exploration
- Coordinating with stakeholders (many hundreds of miles apart from each other)

Mr. Weitzner thought slide 14 intended to highlight that the Ambler Access Project was not an easy development. He mentioned the primary issue of coordinating the project for subsistence concerns. He used the example of the Red Dog Mine transportation system and thought the proposed Ambler road was a more complex undertaking that needed to take into account all the communities' subsistence concerns.

[10:26:26 AM](#)

Co-Chair Stedman was curious about construction of the Ambler Access Project. He asked about who would be doing the actual construction of the road.

Mr. Weitzner reiterated that AIDEA would be the owner of the road and would be engaging the contractors that would do the construction of the road. He added that AIDEA was working with a project manager seconded through DOT, who had extensive experience with complex road structure in the Arctic environment. He relayed that AIDEA would engage with contractors to manage and control construction. Operation of the road would be contracted to different operators through AIDEA's administration.

Co-Chair Stedman thought the project would be the biggest road project since the Dalton Highway. He was curious about

the 40 fish passage sites listed on slide 14, and the species of fish that were in the area.

Co-Chair Bishop replied, "Arctic grayling."

Mr. Weitzner explained that the fish passage sites reflected the stipulations from the environmental review and the joint record of decision with the National Park Service and the BLM. He continued that AIDEA was looking to comply with permit requirements put in place for the five-year initial rights of way.

Co-Chair Stedman asked what kind of fish were in the rivers. He asked if there were species of salmon that were in the rivers.

Co-Chair Bishop thought the Department of Fish and Game (DFG) could specify species of fish. He doubted that any salmon got that far up the river, but thought there could be Arctic grayling, Arctic char, whitefish, northern pike, and some trout. He affirmed that his staff would work with DFG to get the information.

Mr. Weitzner stated he would provide detail within the record of decision about which fish had been identified. He wanted to defer to what was specifically required by the permit.

Co-Chair Bishop acknowledged that it was very early in the process but wanted to emphasize the importance of using Alaska hire and utilizing local contractors. He knew that there would be agreements with Native corporations and local tribes and wanted to ensure local hire was executed to the fullest extent. He asked if there was a rough estimate of the cost per mile of the proposed road.

Mr. Weitzner stated that there was an estimated \$2,000 per mile cost for the 210.6-mile road. The cost was due to issues with waterways and bridging. The current estimate for the road's capital costs was a little over \$500 million.

Co-Chair Bishop asked for the cost of the road to be restated.

Mr. Weitzner corrected that the estimated cost of the road was \$2 million per mile.

10:31:37 AM

Co-Chair Stedman asked if the project would be under Davis Bacon wages.

Mr. Weitzman stated that the project would not explicitly be under Davis Bacon, and AIDEA was not seeking federal funds to finance part of the road. He continued that AIDEA was looking for private sector investors. He did not anticipate a requirement for federal funds that would have Davis Bacon wage requirements. He thought it was possible that AIDEA would work with some union groups that would work on portions of the road through a contract process.

Co-Chair Stedman understood that state funds also fell under Davis Bacon wage requirements. He asked for a clarification on the eventuality of coming under Davis Bacon wage requirements.

Mr. Weitzman agreed to provide further information. He clarified that the road itself was independent from the mine development and was an industrial access road.

Co-Chair Bishop commented that there was precedent from the DeLong Mountain Road regarding Davis Bacon.

Mr. Weitzner addressed slide 15, "WEST SUSITNA ACCESS ROAD PROJECT":

PROJECT BACKGROUND

- 2014 Roads to Resources Program DOT&PF Study
- Pre-development feasibility stage of planning for a multi-use public access road leading to resource development opportunities that will diversify the state and borough economy and lead to job creation.
- Partnership between AIDEA, the Matanuska-Susitna Borough (MSB) and industry partners.

The proposed route is approx. 100 miles long, from the west end of Ayrshire Road to near the confluence of the Talachulitna and Skwentna Rivers. Near the Happy River crossing, the route would diverge away from the Donlin Gold gas pipeline route and continue west to a point of tie-in with existing mineral exploration roads.

Mr. Weitzner explained that the West Susitna Access Road Project was a follow-on to the 2014 Roads to Resources Program, which was originally a DOT study. The project would ultimately link to Port Mackenzie. The project had support and input from the Matanuska-Susitna Borough.

10:35:32 AM

Mr. Weitzner reviewed slide 16, "PHASE 2 STUDY + SCHEDULE":

We have concluded Phase 2, which included two objectives:

1. Advance preliminary engineering enough that preliminary opinions of probable capital costs can be developed for economic decision making.
2. Conduct wetland mapping and fieldwork to position the project for developing a Clean Water Act Section 404 permit application, if the project moves forward.

2020

JUNE - MSB Assembly approved participation in Memorandum of Understanding

AUGUST - Executed funding, Notice to Proceed issued, project begins

SEPTEMBER - Wetland mapping and fieldwork completed

2021

MARCH - Phase 2 study completed

Co-Chair Stedman looked back to slide 15. He asked for clarification about the proposed construction plan for the West Susitna Access Road Project.

Mr. Weitzner informed that AIDEA was the principal partner in the project from the state side. He continued that DOT had done the initial studies in 2014 on available routes within the Mat-Su Borough. He continued that AIDEA had taken updated the study with the Phase I and Phase II analyses in order to define an optimal route. Additionally, AIDEA would need to continue working with the state as a principal landowner. There would also be private landowners along the route that needed to be engaged. The slide showed pre-feasibility planning in order to get to a National Environmental Policy Act (NEPA) permit application.

Co-Chair Stedman had seen a substantial pricing difference between corporate transportation, DNR, and through AIDEA. He was curious about the construction cost of the projects, and thought it was clear there was a huge cost difference between DNR and DOT. He thought DOT was much more expensive and cumbersome to work with. He thought if the model worked, perhaps it should be replicated in other areas of the state.

Co-Chair Bishop thought Co-Chair Stedman had offered a comment rather than a question.

10:39:27 AM

Mr. Weitzner followed up on Co-Chair Stedman's remarks. He explained that AIDEA's approach in working with the borough and private industry partners was to expedite the process to receive initial permits while taking the full analysis of conservation, environmental concerns, and stakeholder engagement. He thought the process prepared the project for how the road would be financed. He mentioned AIDEA's role in the state. He thought there was a benefit to having external capital as a partner, in ways of having quicker project development.

Mr. Weitzner addressed slide 17, "POTENTIAL NEXT STEPS FOR PHASE 3":

- Conduct baseline environmental studies:
- Cultural and historical resources, fish, wildlife, etc.
- Perform additional field work as required
- Identify mitigation and avoidance opportunities

- Advance engineering to the 10% -15% design level
- Identify and explore alternative routes
- Conduct Port MacKenzie feasibility analysis and potential future development plans

Q1 2021 - Phase 3 discussion and scope development

Q2 2021 - Phase 3 approvals from MSB Assembly and AIDEA Board

Q3 2021 - Phase 3 execution

Q4 2021 - Phase 3 completion

Mr. Weitzner mentioned the Environmental Impact Statement submission and application and thought any road development would need to have NEPA approval. He looked towards having a filing being prepared in the first quarter of 2022.

Co-Chair Bishop asked about the industry partners AIDEA was working with.

Mr. Weitzner informed that AIDEA was specifically working with Nova Minerals and Gull Mining Corporation, which had leases within the Yentna Mining District. During Phase 1, there was additional support from parties that were interested in the transportation project, with leases south of Skwentna.

10:42:51 AM

Co-Chair Stedman asked if railway had been reviewed as an option. He cited that rail had less environmental impacts. He asked more detail on the question of road versus rail.

Mr. Weitzner relayed that the option of rail had been considered during the phase 1 study, and AIDEA had elected to go forward on phase 2 without rail. He asserted that not all users would benefit from rail and the industrial access, which was coordinated for larger volume users. Rail would limit public access, which was a requirement of the Mat-Su Borough. While rail was able to accommodate higher volumes, it was at a higher cost.

Senator Hoffman went back to slide 1 and referenced AIDEA's mission and economic growth and diversification of Alaska's economy. He knew that Donlin Creek in his region was proceeding with a project. He asked Mr. Weitzner to comment on why the region was not pursuing working with AIDEA on a large mine.

Mr. Weitzner stated AIDEA had conversations with Donlin Gold regarding development and utility infrastructure needs. He understood that Donlin had not made decisions on how to address gas supply and other energy development to power the mine. He noted that AIDEA was in ongoing conversation as to how to best serve Donlin.

Co-Chair Bishop discussed the agenda for the following day.

#

ADJOURNMENT

10:46:48 AM

The meeting was adjourned at 10:46 a.m.